

FISCAL NOTE
HB 37 - SB 47
FIRST EXTRAORDINARY SESSION

April 13, 1999

SUMMARY OF BILL: Imposes the franchise and excise tax on Limited Liability Corporations, Limited Liability Partnerships, Proprietorships, Professional LLC's, Partnerships, Organizations, and Entities. Also stipulates that for the purposes of all state and local Tennessee taxes, a foreign or domestic LLC shall be treated as a corporation taxable as a for-profit corporation as such classification is determined for federal tax purposes.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$450,000,000

Increase State Expenditures - Dept. of Revenue
Exceeds \$3,000,000 Recurring
Exceeds \$2,000,000 One-Time

Estimate assumes the following:

- Bill contains no earnings exemption levels for any business entities.
- Partnerships will distribute a significant amount of earnings to partners reducing their net earnings for excise tax purposes significantly.
- Sole proprietorships will pay the 6% excise tax on most net earnings.
- Bill eliminates the use of pass through entities as a method to evade franchise and excise taxes.
- An increase in state expenditures in excess of \$5,000,000, in the Department of Revenue, resulting from implementation of a new tax structure.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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